**Sec. 1. Tax Imposed**

**(a) Married Individuals Filing Joint Returns and Surviving Spouses.**—There is hereby imposed on the taxable income of—

(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

(2) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table
[omitted]

**Sec. 61. Gross Income Defined.
 General Definition.**
Except as otherwise provided in this subtitle, gross income means all income from whatever source derived, including (but not limited to):

(1) Compensation for services, including fees, commissions, fringe benefits, and similar items;

(2) Gross income derived from business;

(3) Gains derived from dealings in property;

(4) Interest;

(5) Rents;

(6) Royalties;

(7) Dividends;

(8) Alimony and separate maintenance payments;

(9) Annuities;

(10) Income from life insurance and endowment contracts;

(11) Pensions;

(12) Income from discharge of indebtedness;

(13) Distributive share of partnership gross income;

(14) Income in respect of a decedent; and

(15) Income from an interest in an estate or trust.

(b) Cross References. For items specifically included in gross income, see part II (sec. 71 and following). For items specifically excluded from gross income, see part III ( sec. 101 and following).

# Sec. 62. Adjusted Gross Income Defined.

**(a) General Rule.** For purposes of this subtitle, the term “adjusted gross income” means, in the case of an individual, gross income minus the following deductions:

(1) Trade and business deductions. The deductions allowed by this chapter (other than by part VII of this subchapter) which are attributable to a trade or business carried on by the taxpayer, if such trade or business does not consist of the performance of services by the taxpayer as an employee.

------material omitted

(3) Losses from sale or exchange of property------material omitted

(7) Retirement savings. The deduction allowed by section 219 (relating to deduction for certain retirement savings). ---material omitted

# Sec. 63.Taxable Income Defined.

# (a) In General. Except as provided in subsection (b), for purposes of this subtitle, the term “taxable income” means gross income minus the deductions allowed by this chapter (other than the standard deduction).

# Sec. 121. Exclusion of Gain from Sale of Principal Residence.

# (a) Exclusion. Gross income shall not include gain from the sale or exchange of property if, during the 5-year period ending on the date of the sale or exchange, such property has been owned and used by the taxpayer as the taxpayer's principal residence for periods aggregating 2 years or more.

# (b) Limitations.

# (1) In general. The amount of gain excluded from gross income under subsection (a) with respect to any sale or exchange shall not exceed $250,000.

# (2) Special rules for joint returns. In the case of a husband and wife who make a joint return for the taxable year of the sale or exchange of the property—

# (A) $500,000 limitation for certain joint returns. Paragraph (1) shall be applied by substituting “$500,000”for“$250,000” if—

# (i) either spouse meets the ownership requirements of subsection (a) with respect to such property;

# (ii) both spouses meet the use requirements of subsection (a) with respect to such property; and

# (iii) neither spouse is ineligible for the benefits of subsection (a) with respect to such property by reason of paragraph (3).

# Sec. 31.Tax Withheld On Wages.

# (a)Wage Withholding for Income Tax Purposes.

# (1)In general. The amount withheld as tax under chapter 24 shall be allowed to the recipient of the income as a credit against the tax imposed by this subtitle.—material omitted